

THE LEONARD LETTER

*A weekly electronic newsletter about
California government, business and taxes
Bill Leonard, Member
State Board of Equalization*

February 27, 2006

QUOTE OF THE WEEK

*"Government is not reason, it is not eloquence--it is force.
Like fire, it is a dangerous servant and fearful master."
--- George Washington*

AROUND THE STATE

*****Convention Observations*****

Conservatives prevailed in San Jose at the state's Republican Party convention this weekend, re-asserting that we are a party of conservative principles. And Governor Schwarzenegger won by showing to independents that he is not a tool of the Republican Party, although he is closer to the Republicans than any other candidate running for Governor. I do not know when it dawned on the Governor's friends that they could win the public relations battle while losing on the policy issues, but when they did figure this out, it permitted a good outcome for all.

My media rule still is in force. If you want to get on television or be quoted prominently, then be available to say something negative about fellow Republicans. Those like Senator McClintock, who said while he does disagree with Schwarzenegger at times he still wholeheartedly supports the Governor, received almost no press coverage. His thoughtful comments and clear statement of Republican principles should have been the lead in every convention news story, but he refused to play the negative game.

*****The Three "E"s*****

There were 2,200 high school students in the Capitol for the YMCA Youth and Government over the last holiday weekend. I was honored to attend the advisory board breakfast with the youth officers. Assemblyman Tim Leslie led a great discussion that made sure the students got to speak as much as the elected officials. I was particularly impressed with the comments of Justin Cheasty from the Albany YMCA. Justin served as Commissioner on the National Issues Commission. He said that he appreciated the Youth and Government program because it taught him the three "E"s that he did not learn in school.

By the three "E"s, Justin meant: ethics, empowerment and expectations. He said that the Youth and Government program taught ethics, gave students a real sense of empowerment, and raised all of their expectations. While it is good that this program does do these things, it does give one pause that modern comprehensive high schools misses these important concepts. While Justin was talking about these "E"s, I was thinking about the I took time with my sons at the Leonard College of Common Sense Knowledge. I did not think of these lessons as the "E"s, but in retrospect, they were exactly that. I wanted to show my sons the importance of honest relations and taking their own responsibility to read contracts, ask questions, and make their own quality decisions. Parents, teachers, church and community youth leaders have a big role to play in delivering the three "E"s to the next generation.

*****Savings Rate Lowballs Benefits of Home Ownership*****

According to a Federal Reserve report, the personal savings rate has plunged to negative 0.7% in December from negative 0.2% in November. This is way below the average savings rate since 1959 of about 7.2%. But what is the "savings rate" really? And what constitutes true net savings? Is it only what is left over when you subtract expenses from an income statement; or is it more accurate to look at the change in net worth, which is more like a balance sheet? The official national savings rate does not include capital gains, 401k savings or home equity, among other things. One economist has calculated the change in net worth for individual Americans, as a percent of GDP, as growing around 10 to 15 percent annually today.

One reason for the rise in net worth is that many have benefited from the real estate boom. Over the past five years, putting away cash savings has not been the smartest way to allocate one's resources but should have been used to buy real estate. The average American is not as dumb as the Federal Reserve may think. The supposedly "spendthrift" United States now has the highest rate of home ownership in its history of 69%.

Homes will not always provide double-digit appreciation, and values can and do go down. Nevertheless, home ownership is becoming an increasingly useful financial tool for all stages of life. Say a young family without much savings needs a reliable car for commuting to and from work. They could sign up for \$600 a month car payment, but if they have some equity in their home, they instead choose to refinance their house for the cash and pay maybe an additional \$150 more a month on the mortgage instead. While it is not advisable to abuse a house as if it were an endless ATM, this kind of transaction can make a lot of sense. The result for this family is that they have significantly more cash flow because they own their own home. For later in life, those who pay off their mortgages over time will have the option of a reverse mortgage to pad their retirement. But the best benefit of all of home ownership is that it serves as a place to live. It is hugely important to impress on young people the importance of buying that first house or condominium. Here is a federal government site that offers advice and information about programs for first time buyers:

<http://www.hud.gov/offices/hsg/sfh/buying/buyhm.cfm>

UNDER THE DOME

*****My Nomination for Column of the Year*****

From the Bill Leonard Blog 2/23/06

LL Readers know I try to do a lot of reading. Even so, it is a rare occurrence that I read something in a newspaper that is truly exceptional. Last week, Dan Weintraub of the Sacramento Bee penned a piece for his California Insider weblog column that I am still thinking about, and I have concluded it deserves special recognition. Dan is known as a chronicler of political baseball in Sacramento. This column is only about politics on the surface; at its core it is a wonderful lesson about economics that would impress Milton Friedman. Those of you who are economics or social studies teachers might consider spending time dissecting this column with your students. What Weintraub does in a few hundred words is more memorable than the hundreds of pages of what I recall wading through for college economics.

His basic thesis is that we need to look for an alternative to employer-managed health care. To illustrate his point, he talks about what life would be like if government mandated that employers sign us up for plans to manage our nutritional needs, or our housing, instead of letting us deal with these decisions and costs on our own as we do now. The result would most certainly be bad food and substandard housing - and probably shortages of both. Why then are we so wedded to the notion that health care consumers need something between them and the providers of the health care? It is exactly the right question to ask -- let the light shine on this column:

<http://www.sacbee.com/content/politics/columns/weintraub/v-print/story/14214335p-15040397c.html>

ISSUE FOCUS

*****Teachers Just “Fudge”*****

My article last week about educators’ use of group learning techniques generated strong reactions from several teachers. One teacher said that if teacher put five students in a group, then they have one-fifth of the papers/projects to grade. On the other hand, one teacher told me how her colleagues get around the silliness of some education fads, like group learning: they fudge. These teachers know what works with students and they do not want to be forced into experimental or ineffectual classroom methods. So, they submit lesson plans that conform with the latest “requirement” but they do not teach to those lesson plans. Instead, they stick with what they know works in their classroom. One problem with this is that administrators reviewing good results might think the falsified lesson plans deserve credit when actually it is the ingenuity of a good teacher. The other problem this identifies is some principals being completely out of touch with what is happening in the classrooms on their campuses. I am curious about how widespread this practice is, and while I cannot advocate lying, I also cannot condemn a professional who wants to do right by their students. I welcome your stories and experiences on this topic. Send your thoughts to me at billleonard@billleonard.org.

MISCELLANY

A Good Read

This week's recommended reading received that National Book Award and has been the subject of many other books, articles, and term papers: "Anarchy, State and Utopia" by Robert Nozick. The book is often noted as the philosophical foundation for libertarianism, although that is a broad sweep that fails to give credit to so many other outstanding and thoughtful works. Nozick's book, however, is worthy of praise and the time to read it. The first line of his preface explains his purpose: "Individuals have rights, and there are things no person or group may do to them (without violating their rights). So strong and far-reaching are these rights that they raise the question of what, if anything, the state and its officials may do. How much room do individual rights leave for the state?" Nozick lays out the case for a minimal state, then explains why no larger, more expansive state can be justified. Then he explores how such an expansive state might develop. This is a section worth reading alone, so that you can see how far down the road we are from the ideal state that respects individual rights. In his conclusion, he describes a utopia in which individuals "may not be used in certain ways by others as means or tools or instruments or resources; it treats us as person having individual rights with the dignity this constitutes. Treating us with respect by respecting our rights, it allows us, individually or with whom we choose, to choose our life and to realize our ends and our conception of ourselves, insofar as we can, aided by the voluntary cooperation of other individuals possessing the same dignity. How dare any state or group of individuals do more. Or less."

BOE AND LEGISLATIVE DATES

March 7-8, 2006 --- BOE meets in Culver City.

March 28-29, 2006 --- BOE meets in Sacramento.

April 6, 2006 --- Legislature begins spring recess upon adjournment.

April 17, 2006 --- Legislature reconvenes from spring recess.

April 18-19, 2006 --- BOE meets in Sacramento.

NOTABLE DATES/ HISTORY

February 27, 1975 --- The U.S. House of Representatives passed a \$21.3 billion anti-recession tax-cut bill.

February 27, 1991 --- The Gulf War ended after Iraqi troops retreat and Kuwait was liberated.

February 28, 1849 --- The first gold-seekers arrived in San Francisco, aboard the ship *California*.

February 28, 1854 --- Slavery opponents met in Ripon, WI and called for a new political group that would later become the Republican Party.

February 28, 1993 --- Agents from the Bureau of Alcohol, Tobacco and Firearms attempted to serve warrants on the Branch Davidians at a compound near Waco, Texas, triggering a 51-day siege.

March 1, 1875 --- Republican President Ulysses S. Grant signed the Civil Rights Act of 1875, guaranteeing access to public accommodations without regard to race. It passed with 92% Republican support over 100% Democrat opposition.

March 1, 1932 --- Charles Lindbergh, Jr. (20 months old) was kidnapped in New Jersey. He was found dead on May 12, 1932.

March 1, 1961 --- President Kennedy established the Peace Corps.

March 2, 1938 --- Landslides and floods caused more than 200 deaths in Los Angeles.

March 3, 1885 --- California became the first state to establish a permanent forest commission.

March 3, 1991 --- An amateur video captured images of several Los Angeles Police Department officers beating Rodney King.

March 4, 1789 --- The U.S. Constitution became effective.

March 5, 1770 --- The Boston Massacre took place when British soldiers killed five colonists who had been taunting them.

March 6, 1857 --- The U.S. Supreme Court ruled that slave Dred Scott could not sue for his freedom in federal court.

GENERAL TAX INFORMATION

For answers to your general tax questions, call the Board of Equalization information center. Customer service representatives are available to help you from 8:00 a.m. to 5:00 p.m. Pacific time, Monday through Friday (except state holidays).

Toll-free number: 800-400-7115
TDD service for the hearing impaired
TDD phones: 800-735-2929
Voice phones: 800-735-2922

To reach the Taxpayer Rights Advocate's office for assistance with any BOE issues, see <http://www.boe.ca.gov/tra/tra.htm>, or call toll-free 1-888-324-2798.

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